January 27, 1995

Status Report

Marketing

Issues: Consumer research, positioning platform development, packaging, launch/distribution strategy, conversion kit, merchandising.

Recent Activity:
Briefed of Sho Minagawa regarding status of key marketing issues and next steps.

Updated PM legal staff on marketing objectives and strategies.

Discussed outline of stimulus to be presented and information to be captured from sales force participants during one-on-one interviews in Chicago.

Discussed progress on cigarette transportation/protection concepts with Design Continuum. Preliminary concepts due PM on 2/6/95.

Discussed progress on alternative brand name, lighter name and "roasting" terminology with Leo Burnett. Burnett will be conducting an all-day brainstorming session on 2/1/95.

Upcoming Events:
Develop more detailed launch market scenarios to better estimate lighter quantities that will be needed, potential retail outlets to be targeted, etc.

Attend Atlanta focus groups.

Attend sales force one-on-one interviews in Chicago

Numerous briefings/presentations to PM management.

Develop more detailed activity list for milestone report.

Develop layout of conversion kit information brochure.

Sales & Distribution

Worked with 15 minutes to determine needs for distribution systems consultant.

Attended Genesis overview to understand impact on project and need for integration.

Finance & Planning

Issues: Product costs, Year-end accruals, 1995 budget, Capital needs, Overall project schedule and milestones, NY planning schedule.

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Though the projects 1995 budget will be reduced to reflect the accruals taken in 1994. The final OB will be forwarded to the appropriate people when it is determined.

Work continues on the projects final 650 request. Target date for submission to Corporate is March 10. Approval is not needed until late March.

Working with Finance to determine classification of spending as capital or expense continue to expect the capital portion of the request to be close to, or below $40 million dollars.

Upcoming Events: 650 reviews on January 30 & 31. Finance review and begin collecting signatures in early to mid February.

Legal & Regulatory

Issues: Regulatory and legal review and research covering marketing, manufacturing, testing, distribution, planning and product liability issues; contractual arrangements; project assets structuring; document drafting and review.

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